

OVERSTRAND MUNICIPALITY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2005**

INDEX

		PAGE
1.	GENERAL INFORMATION	A 1 - 2
2.	OVERVIEW BY THE MAYOR	B 1
3.	REPORT OF THE AUDITOR-GENERAL	C 1
4.	REPORT OF THE DIRECTOR OF FINANCE	D 1 - 8
5.	ACCOUNTING POLICIES	E 1 - 8
6.	STATEMENT OF FINANCIAL POSITION	F 1
7.	STATEMENT OF FINANCIAL PERFORMANCE	G 1
8.	STATEMENT OF CHANGES IN NET ASSETS	H 1
9.	CASH FLOW STATEMENT	I 1
10.	NOTES TO THE FINANCIAL STATEMENTS	J 1 - 22
11.	APPENDIXES	
	A Schedule of External Loans	K 1
	B Analysis of Property, Plant and Equipment	L 1 – L 3
	C Segmental Analysis of Property, Plant and Equipment	M 1
	D Segmental Statement of Financial Performance	N 1
	E(1) Actual versus Budget (Revenue and Expenditure)	O 1
	E(2) Actual versus Budget (Acquisition of Property, Plant & Equipment)	P 1 – P 2
	F Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	Q 1

GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	: Alderman W J Smuts
Deputy Executive Mayor	: Councillor R Olivier
Speaker	: Councillor M J van Rensburg

Chairman of Finance and Human Resources Portfolio Committee	: Councillor E T Wiid
Chairman of Housing and Engineering Portfolio Committee	: Councillor R Olivier
Chairman of Town Planning, Tourism and Economic Development Portfolio Committee	: Councillor A D Myles

MEMBERS OF COUNCIL**WARD****COUNCILLOR/ALDERMAN**

1	Dr A Rabie-Rheeder
2	A Coetsee
3	P A Scholtz
4	A D Myles
5	E T Wiid
6	M V Ponoane
7	F C Khohlakala
8	M J van Rensburg
9	E J Barry

PROPORTIONAL**COUNCILLOR/ALDERMAN**

ACDP	J Kriel
ANC	P J Makka
ANC	P J May
ANC	R Olivier
DA	N Botha
DA	V R Herbert
NNP	W T Appel
NNP	P J S Roux
NNP	W J Smuts

AUDITORS

Office of the Auditor-General

BANKERS

ABSA Bank

REGISTERED OFFICE

Municipal Offices
Magnolia Avenue
HERMANUS
7200

P O Box 20
HERMANUS
7200

Telephone: (028) 313 8000
Fax: (028) 312 1894

MUNICIPAL MANAGER

Adv J Koekemoer

DIRECTOR OF FINANCE

Mr R F Butler: Registered Municipal Accountant (Associate)

APPROVAL OF FINANCIAL STATEMENTS

A report on the annual financial statements for the 2004/2005 financial year must still serve before Council.

PREPARATION OF FINANCIAL STATEMENTS

The preparation of these financial statements, which are set out on pages A1 to Q 1, is the responsibility of the Municipal Manager in terms of section 126(1) of the Municipal Finance Management Act and the statements are signed on behalf of the municipality.

I further certify that the remuneration of Councillors and in-kind benefits, as disclosed in note 22, are in accordance with the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.

R F BUTLER
ACTING MUNICIPAL MANAGER

11 NOVEMBER 2005

OVERVIEW BY THE EXECUTIVE MAYOR OF OVERSTRAND

New laws and structures are creating a solid foundation for the Overstrand Municipality to deliver services more effectively than at any time in the past. Local government will now be judged by its ability to deliver services, promote socio-economic development, deepen democracy and govern effectively.

The Municipal Finance Management Act that came into operation on 1 July 2004 has a few checks and balances in place to ensure that municipalities keep their finances healthy. Overstrand Municipality welcomes this since most of the prescribed procedures were already followed. The only difference will be the longer period that the budget will be available for public scrutiny. Overstrand Municipality is confident that the implementation of the law will re-affirm confidence in the management of its finances.

Overstrand Municipality implemented the IDP successfully and had very positive audit reports from the Auditor-General for all the revisions. Where other municipalities used the IDP as a guideline to budget, in other words the IDP and Budgeting processes are separate, Overstrand Municipality made it a single process. The IDP/Budgeting process starts with the community and ends with a budget. As Councillors, we foresee that political co-operation will pave the way to effectively and speedily address issues. The ward committees represent a mechanism through which the masses of our people can and must effect further participation. It becomes non-negotiable for local government leadership to interact with all strata and sectors in their local communities.

Through our active involvement with other spheres of government, we have succeeded thus far to establish significant financial and institutional support for development in this region. It is imperative that we use our income to the optimum to enable us to finance the planned projects for the next financial year. Let us join hands for a better future, fulfilling our responsibilities to current and future generations.

ALDERMAN W J SMUTS
EXECUTIVE MAYOR

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE DIRECTOR: FINANCIAL SERVICES

1. INTRODUCTION

It is with great pride that I present this report on the financial results and position of the Overstrand Municipality for the financial year ended 30 June 2005. This is the first year that the financial statements have been prepared in accordance with Generally Recognized Accounting Practices (GRAP) rather than the former IMFO (Institute of Municipal Finance Officers) standards. The introduction of GRAP however has had an impact on the figures reported, compared to previous (IMFO) financial statements. Furthermore, it also contributed to the delay in finalising the financial statements due to the fact that the guidelines from National Treasury were only received at the end of June 2005. Therefore, it is necessary to explain some of the major changes introduced before I summarise the financial results.

2. MAJOR CHANGES INTRODUCED WITH GRAP

- 2.1 Funds and reserves:** GRAP does away with virtually all of the IMFO funds and reserves – only the Housing Development Fund remains (which is a statutory fund) and the Self-Insurance Reserve Fund. Essentially the ability of municipalities to create reserves, funds, and Trust Funds for future expenditure on specific items and projects is now curtailed. An explanation of the new funds and reserves is given in the Accounting Policy section of these financial statements.
- 2.2 Property, Plant, and Equipment:** The Council's assets now have to be recorded in an Asset Register and the value of assets shown in the Statement of Financial Position is the historic cost of the asset less depreciation. Depreciation is a charge made to expenses (i.e. the Statement of Financial Performance) for the 'use of' the asset in delivering municipal services. Except for assets financed by external borrowing, depreciation is not a 'real' cost to the local taxpayer, as the charges are 'funded' from various reserves and the accumulated surplus.
- 2.3 Revenue income:** Several changes have been made to the reporting of revenue in the Statement of Financial Performance:
- All grants and public contributions that have been used during the year for both capital and operational expenditure are now shown as revenue (previously only certain operational grants were included).
 - Gains on the disposal of property, plant and equipment must now be shown as revenue (previously this was credited to the 'old' Consolidated Capital Development Fund (CCDLF)).
 - All interest income generated by the Municipality's investments must be shown as revenue (previously this was credited to the 'old' CCDLF Fund).

- 2.4 Operational expenses:** The following changes have been introduced in reporting on expenditure in the Statement of Financial Performance:
- Depreciation is now an expense to municipal services (see above).
 - External interest payments (arising from long-term borrowing) are now an expense (previously they were met from the former CCDLF Fund).
 - The former internal revolving loan scheme for financing capital expenditure has been abolished as internal loan repayments and internal interest charges can no longer be considered an expense under GRAP.
 - Expenditure on provincial-funded housing projects is no longer capital expenditure but is an operational expense (as the houses never belongs to the Municipality and therefore cannot be part of its assets).
- 2.5 Surplus reported for the year:** Users of these financial statements need to be careful when interpreting the surplus figures reported here. Firstly, the surplus now reported at the bottom of the Statement of Financial Performance is a surplus before allowable appropriations to funds and reserves. Previously these appropriations would be included as an expense before the ‘surplus’ figure was reported; now the surplus is appropriated in a separate statement (see below). In addition, under GRAP the surplus for the year (and accumulated surpluses) comprise of two elements: a surplus that has arisen largely because of the book-keeping entries required by GRAP: this surplus is not cash-backed and cannot be used by the Municipality for real expenditure. It will be used to offset future years’ depreciation on current assets that have been financed from previous years’ surpluses and/or reserves and funds. The other element is the ‘real’, cash-backed, and distributable surplus. Management reports to Council will always distinguish between the two in order to aid comprehension.
- 2.6 Statement of changes in net assets:** It should be noted that allocations (appropriations) to various funds and reserves are still permitted under GRAP but have to be accounted for in a new statement called the “Statement of Changes of Net Assets’. Previously they were shown in the Income and Expenditure Statement as ‘contributions to funds’.
- 2.7 Classification of services:** The various services rendered by the Municipality are now shown using the Geographic Integrated Services classification (as required by GRAP) rather than the traditional classification of Rates and General Services, Trading Services, Economical Services etc.

When looking at the 2004/05 financial statements users need to bear in mind that the budget figures reported for 2003/04 and 2004/05 are those approved by Council. The budget is not always directly comparable with the year-end actuals since the 2003/04 budget did not include any of the changes required to implement GRAP and the 2004/05 budget included many but not all of the required changes. It is important to bear this in mind when comparing actual versus budget variances. The introduction of GRAP for the 2004/05 financial statements will require that the 2005/06 budget is adjusted in-year to fully incorporate the required GRAP changes so as to make direct comparisons between the budget and actuals easier in next year’s financial statements.

3. 2004/05 FINANCIAL PERFORMANCE

3.1 Revenue:

The year-end actual revenue was R266 million: this was R41 million (18%) more than the previous year (2003/04) and an increase of R48 million (22%) on the 2004/05 budget. The budget, however, did not include income from capital grants, public contributions, and gains on disposal of property which now have to be included in the Statement of Financial Performance under GRAP. In addition, it was assumed in the budget that a portion of the interest income would be credited to trust funds and reserves, but under GRAP all interest income must be credited to the Statement of Financial Performance. All of the above-mentioned GRAP changes total R36,141,924. This means that in order to compare the year-end actuals with the amended budget, the figure of R230,240,083 for actual revenue needs to be used. This amount is R12,156,513 (5,5%) above the 2004/05 approved budget.

Most revenue budget items realized more than budget expectations but (discounting the revenue introduced by GRAP mentioned above) property rates, services charges, and income from agency services had significant variances above budget. The reasons for the variances in the rates and services charges revenue was due to a too conservative budget being set for 2004/05 - this is discussed further later on in my report. With respect to income from agency services, many agreements were concluded after the budget had been approved (e.g. DWAF and the Marines Project) which meant that the budget was understated.

3.2 Expenditure:

The year-end actual expenditure was some R225 million: this was R62 million (40%) more than the previous year (2003/04) and an increase of R2 million (0.5%) on the 2004/05 budget. The budget, however, did not include expenditure on capital and operational items funded from grants and contributions which now have to be included in the Statement of Financial Performance under GRAP. These GRAP changes total R19,102,544. This means that in order to compare the year-end actuals with the approved budget, the figure of R205,571,959 for actual expenditure needs to be used. This amount is R17,383,881 (8%) below the 2004/05 approved budget.

Budget managers need to be congratulated for keeping their expenditure within the approved budgets. Such tight financial discipline will be a requirement for future years as well. Of the significant variances, expenditure on employee related costs was less than budget expectations due to new appointments not proceeding as anticipated and interest charges on external loans were less than budget as interest rates decreased during the financial year.

3.3 Expenditure on the Capital Budget:

Figures in R000s	2004/05 actuals	2004/05 approved budget	Actual as % of budget
Council-funded budget	32,246	31,392	102,7%
Ad-hoc capital budget	4,143	5,068	81,7%
Total	36,389	36,460	99,8%

Expenditure in total on the capital budget was R36,389m, only R0,07m (0.2%) under budget and was R9m lower than the 2003/04 year-end capital expenditure (R45,385m).

As noted above, expenditure on provincial-funded housing projects is no longer capital expenditure, but is classified as an operational expense. Consequently, spending on housing is now not included in the above actuals and the budget has also been amended accordingly.

3.4 Surplus for the year:

The reported surplus before appropriations for the 2004/05 financial year was R42 million. Users of these financial statements need to remember that this includes all the income from grants and contributions, etc., that now need to be included to comply with GRAP. Better indication of the surplus pre-GRAP is given by taking the revenue and expenditure actuals reported above (that exclude GRAP-changes that were not included in the budget) – this gives a surplus of R25 million for the year.

The appropriation of the surplus to funds and reserves shown in the Statement of Changes in Net Assets are largely required under GRAP accounting standards. In terms of the ‘real’, cash-backed surplus I recommend to Council that an additional amount of R19,237,454 (above the budget of R3,420,000) be appropriated to the Capital Replacement Reserve (CRR) to help finance the 2005/06 capital budget.

4. FINANCIAL POSITION – STRENGTHS AND CHALLENGES

4.1 Strengths:

Healthy level of cash-backed, ‘real’ surpluses (R32.4 m).

The Municipality’s cash position is good with it having R5,751,344 in the bank and some R129 million on investments. The latter generates R7.4m of interest income which helps subsidize the costs of the Municipality’s services. In terms of the Municipality’s liquidity position the table below shows that it has sufficient short-term monetary assets to pay of all of its short-term liabilities.

Financial Ratio Analysis – the Municipality’s Cash position

Ratio	Calculation	03/04	04/05
Liquidity ratio (%)	Short-term monetary assets/current liabilities	97%	111%

The total amount of external long-term debt owed by the Municipality has decreased from R60.4 million at the end of 2003/04 to R54m at the end of 2005/06. This decrease is reflected in the debt to assets and debt to income percentages given in the table below. The latter ratio in particular is a key one and shows that the Municipality’s entire debt represents some 23% of the income (less grants and contributions) received for 2004/05. It is therefore felt that the Municipality at the end of 2004/05 is in a ‘comfortable’ position

with regard to its existing level of borrowing in terms of meeting the interest payments arising from these loans.

Financial Ratio Analysis – the Municipality's Debt position

Ratio	Calculation	03/04	04/05
Debt to Assets %	Long-term debt/total assets	16%	13%
Debt to Income %	Long-term debt/total revenue (less grants & contributions)	30%	23%

Consumer debtors have decreased from R48 million at the end of 2003/04 to R39 million at the end of 2004/05. This decrease is a result of both tighter debt collection measures and the writing-off by Council of old, uncollectible debt. If all the Municipality's debtors outstanding at the end of 2004/05 were to default, the bad debt provision would cover 51% of the amount owing to the Municipality.

Consumer Debtors and Provision for Bad Debts 2001/02 to 2004/05

Figures in R millions

	2000/01	2001/02	2002/03	2003/04	2004-05
Consumer Debtors	27	32	41	48	39
Bad Debt Provision	12	19	24	30	20
% of Consumer Debtors covered by Bad Debt Provision	44.5%	59.1%	59.4%	61.5%	51.3%

4.2 Challenges:

Although more money has been allocated to the Capital Replacement Reserve (CRR) than originally budgeted for, the amount estimated to be in the CRR at the end of 2004/05 (after financing of the 2005/06 capital budget) is R13.5 million. This will not be sufficient to start to address the huge back-log of infrastructure investment in services required by the Municipality. The sustainability of the Council-funded capital budget in the future will depend on future significant contributions to the CRR being budgeted for when setting taxes and tariffs along with all asset sale income being credited to the Capital Replacement Reserve.

In order to give effect to all the challenges the Municipality faces and maintaining the set level of service delivery, it is imperative that the Municipality remains financially stable. It is therefore essential that sound and prevalent financial management practices and policies are adhered to and that consumers contribute to this by paying for the services they utilise.

5. CONCLUSION

We have succeeded in implementing several aspects of the GRAP compliance. However, there are still a few issues that have been identified which cannot be addressed but will be “phased in” in the future financial years. These include:

ABSA Rent Reserve

This reserve is shown as a non-current provision in the Annual Financial Statement (AFS), which is not recommended in terms of GRAP. However, there is a need to ring-fence the reserve in such a way that the movement of the transactions will be easily identified as this account is in any case expiring in 2006/07.

Gansbaai Mayoral Fund

This fund is reflected under creditors, due to the fact that it will be paid over to a Welfare Non-Governmental Organisation, subject to Council’s approval.

In terms of GRAP, this fund should be transferred to the accumulated surplus account. However, it would be incorrect to apply these guidelines, as these funds were originally donated to spend on specific needs of the Gansbaai residents. Therefore, it would be more appropriate to recommend that Council transfer the balance of the fund to the relevant NGO who is rendering similar services to the local community.

Unsold properties held for sale

No unsold properties (land and buildings) held for sale are disclosed. Properties that will be sold within the next 12 months should be identified and classified as a current asset called “non-current assets held for sale”. Council must therefore identify such properties which should be included in other planning documents such as the Integrated Development Plan, Spatial Development Framework and the Medium-Term Financial Forecast.

Correlation between the Fixed Asset Register and the Annual Financial Statements

The gain or losses with regard to the selling of fixed assets must be disclosed in future. A reconciliation/audit will have to be done and the necessary adjustments made to ensure that the information on the Statement of Financial Performance, Appendix C, and the Fixed Asset Register is the same for all the relevant transactions.

6. EXPRESSION OF APPRECIATION

I am indeed grateful to the Council and my colleagues who have certainly revived the work ethic, accountability and professionalism in the organisation. This is leading to greater commitment and dedication.

The functioning of the finance unit is dependent on the staff and I wish to express my appreciation to all departments for their loyalty and for their efficient and willing service.

It is indeed an honour and privilege to be at the helm of an organization that is committed to effectively manage the process of delivering services in a transparent, sustainable and cost effective manner, thus improving the quality of life of all citizens and visitors of Overstrand Municipality.

I wish to congratulate the financial team of my department for introducing these new accounting standards one year earlier than required by the MFMA (Municipal Financial Management Act). I believe the new financial statements are both more user-friendly and comprehensive than the former IMFO statements and will aid in the transparency of financial reporting to Council, our residents, and other key stakeholders. A special word of thanks to the International Advisor, Karen Watling for her assistance and support.

ROLAND BUTLER
DIRECTOR OF FINANCE

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP and guidance notes issued by National Treasury during June 2005. These GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. The non-disclosure of comparative amounts is due to the extensive adjustments to be made to the accounting records prepared in terms of the fund accounting on the implementation of GRAP.

The comparative amounts have not been disclosed in the following instances:

- Statement of change in Net Assets

- Cash Flow Statement

- Notes to the Financial Statements - Notes 9, 13, 17, 28 & 29

The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 26.

Overstrand Municipality is classified as a high capacity municipality by National Treasury in respect of the financial management reforms required by the MFMA (Municipal Finance Management Act), 2003. As such it is required to implement GRAP accounting standards for the production of the 2005/06 financial statements. However, the municipality is introducing these new standards one year earlier than formally required. This is primarily due to the fact that the 2004/05 budget already included many of the changes required to implement GRAP.

The 2004/05 opening balances in the Statement of Financial Position have been derived from the closing 2003/04 (IMFO) balances in accordance with guidance published by National Treasury and the Accounting Standards Board. The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5 RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan and planned for in the medium term financial forecast (MTFF).

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such items is transferred to the accumulated surplus/(deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful lives of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from public contributions and donations is disposed of, the balance in the Donations and Public Contributions Reserve relating to such items is transferred to the accumulated surplus/(deficit).

5.5 Self-Insurance Reserve

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is based past claims history and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Infrastructure	<u>Years</u>	Other	<u>Years</u>
Roads and paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 14 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

7 VALUATION OF LAND AND BUILDINGS

Land and buildings are stated at historic amounts, less subsequent accumulated depreciation.

8 INVESTMENTS

8.1 Financial instruments

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

9 INVENTORIES

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated or realisable values.

10 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

11 TRADE CREDITORS

Trade creditors are stated at their nominal value.

12 REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per

category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14 PROVISIONS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet data and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

15 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

20 COMPARATIVE INFORMATION

20.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial year.

20.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

OVERSTRAND MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2005

	Note	2005 R	2004 R
NET ASSETS AND LIABILITIES			
Net assets		251,963,406	212,326,837
Housing Development Fund	1	9,857,444	9,536,137
Capital replacement reserve		13,553,751	6,058,061
Capitalisation reserve		110,465,115	119,310,293
Government grant reserve		27,427,213	25,971,118
Donations and public contribution reserves		927,572	46,861
Self-Insurance reserve		15,985	14,820
Accumulated Surplus/(Deficit)		89,716,325	51,389,546
Non-current liabilities		89,894,580	91,287,010
Long-term liabilities	2	47,467,045	54,486,850
Non-current provisions	3	42,427,535	36,800,160
Current liabilities		80,925,825	69,368,854
Consumer deposits	4	6,642,351	5,679,365
Provisions	5	0	0
Creditors	6	48,625,966	43,409,610
Unspent conditional grants and receipts	7	16,230,479	14,120,021
VAT	8	0	295,441
Bank overdraft	16	2,881,693	0
Current portion of long-term liabilities	2	6,545,336	5,864,417
Total Net Assets and Liabilities		422,783,811	372,982,700
ASSETS			
Non-current assets		303,886,138	279,406,436
Property, plant and equipment	9	228,781,182	209,681,529
Investment Property	38	26,170,269	26,170,269
Investments	10	40,698,964	34,000,709
Long-term receivables	11	8,235,722	9,553,928
Current assets		118,897,673	93,576,264
Inventory	12	1,305,512	1,472,209
Consumer debtors	13	19,459,884	18,452,004
Other debtors	14	7,176,139	5,256,678
Current portion of long-term debtors	11	1,072,279	1,153,922
VAT	8	41,691	0
Call investment deposits	15	88,745,556	63,378,355
Bank balances and cash	16	1,096,612	3,863,095
Total Assets		422,783,811	372,982,700

OVERSTRAND MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2005

Budget			Actual	
2004 R	2005 R	Note	2005 R	2004 R
REVENUE				
44,643,160	53,626,410	17	58,922,939	49,449,896
659,000	705,130		414,910	686,578
119,913,810	134,703,780	18	138,650,517	126,348,013
4,117,850	4,400,250		4,725,138	3,854,210
-	2,667,750		7,430,531	10,903,929
1,279,000	2,435,020		2,278,202	1,835,978
-	1,400		4,535	1,372
1,784,100	2,829,190		3,219,126	3,237,510
721,250	1,085,870		1,559,011	1,266,556
562,000	5,685,980		7,586,606	1,454,402
4,186,000	6,769,000	19	24,623,530	12,837,079
2,465,960	2,933,790	20	6,841,566	4,899,282
6,500,000	-			
360,000	240,000		887,942	8,926,245
-	-		9,237,454	-
187,192,130	218,083,570	Total Revenue	266,382,007	225,701,050
EXPENDITURE				
62,884,140	76,899,125	21	74,030,113	61,582,922
1,983,730	2,115,000	22	2,114,282	1,965,172
3,850,110	5,675,000		6,213,470	5,453,943
618,000	859,640		506,614	495,405
-	17,289,810		17,289,239	-
9,407,780	23,238,870		22,098,646	9,655,166
-	7,717,120	23	6,738,942	7,987,837
26,913,370	33,595,840	24	33,392,170	29,775,722
3,465,220	5,312,070		4,663,118	2,784,205
4,831,800	10,831,000	25	7,334,259	8,147,700
33,603,540	39,422,365		50,293,651	35,263,370
39,606,080	-		-	-
187,163,770	222,955,840	Total Expenditure	224,674,503	163,111,442
28,360	-4,872,270	SURPLUS/(DEFICIT) FOR THE YEAR	41,707,504	62,589,608
Refer to Appendix E(1) for explanation of variances				

OVERSTRAND MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2005

	Pre-GAMAP Reserves and Funds R	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Donations and Public Contribution Reserve R	Self Insurance Reserve R	Revaluation Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2004										
Balance at 30 June 2004	104,796,083	9,536,137							26,880,844	141,213,064
Implementation of GAMAP (Note 26)	(104,796,083)		6,058,061	119,310,293	25,971,118	46,861	14,820		24,508,704	82,263,774
Change in accounting policy (Note 27)										-
Restated balance	-	9,536,137	6,058,061	119,310,293	25,971,118	46,861	14,820	-	51,389,548	223,476,838
2005										
Correction of error (Note 28)									(747,959)	(747,959)
Change in accounting policy (Note 27)									(1,322,977)	(1,322,977)
Restated balance	-	9,536,137	6,058,061	119,310,293	25,971,118	46,861	14,820	-	49,318,612	221,405,902
Net surplus/(deficit) for the year									41,707,504	41,707,504
Transfer to CRR			22,657,454						(22,657,454)	-
Property, plant and equipment purchased			(15,161,764)						15,161,764	-
Capital grants used to purchase PPE					3,255,204				(3,255,204)	-
Donated/contributed PPE						887,942			(887,942)	-
Contribution to Insurance Reserve							18,368		(18,368)	-
Insurance claims processed							(17,203)		17,203	-
Transfer to Housing Development Fund		321,307							(321,307)	-
Asset disposals										-
Offsetting of depreciation			-	(8,845,178)	(1,799,109)	(7,231)	-		10,651,518	-
Balance at 30 June 2005	-	9,857,444	13,553,751	110,465,115	27,427,213	927,572	15,985	-	89,716,325	263,113,406

OVERSTRAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		273,197,691	-
Cash paid to suppliers and employees		218,627,251	-
Cash generated from/(utilised in) operations	29	54,570,441	-
Dividends received		4,535	-
Interest received		9,708,732	-
Interest paid		(6,738,942)	-
NET CASH FROM OPERATING ACTIVITIES		<u>57,544,766</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(36,388,892)	-
Proceeds on disposal of property, plant and equipment		9,237,454	-
Increase in investment properties		-	-
(Increase)/decrease in non-current receivables		1,399,850	-
(Increase)/decrease in non-current investments		(6,698,255)	-
(Increase)/decrease in call investment deposits		(25,367,200)	-
NET CASH FROM INVESTING ACTIVITIES		<u>(57,817,044)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(6,338,886)	-
Increase/(decrease) in consumer deposits		962,986	-
(Increase)/decrease in short-term loans		-	-
NET CASH FROM FINANCING ACTIVITIES		<u>(5,375,900)</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(5,648,179)</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year	30	3,863,095	-
Cash and cash equivalents at the end of the year	30	(1,785,081)	-

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	9,857,444	9,536,137
Unappropriated Surplus	9,857,444	9,536,137
Loans extinguished by Government on 1 April 1998	-	-
The Housing Development Fund is represented by the following assets and liabilities		
Instalment Sales Debtors (see note 11)	5,548,849	5,876,268
Consumer Debtors (see note 13)	1,476,929	-
Cash and cash equivalents	2,831,665	3,659,869
Total Housing Development Fund Assets and Liabilities	9,857,444	9,536,137
2 LONG TERM LIABILITIES		
Annuity Loans	54,012,380	60,351,267
Government Loans: Other	-	-
Sub-Total	54,012,380	60,351,267
Less: Current portion transferred to current liabilities	6,545,336	5,864,417
Annuity Loans	6,545,336	5,864,417
Government Loans: Other	-	-
Total External Loans	47,467,045	54,486,850
Refer to Appendix A for more detail on long-term liabilities.		
3 NON-CURRENT PROVISIONS		
ABSA Rent Reserve	31,277,535	25,650,160
Provision for rehabilitation of tip sites	2,500,000	2,500,000
Provision for the clearing out of alien vegetation	1,000,000	1,000,000
Provision for the cleaning up of illegal dumping	3,750,000	3,750,000
Provision for post retirement benefits	3,900,000	3,900,000
Total Non-Current Provisions	42,427,535	36,800,160
4 CONSUMER DEPOSITS		
Electricity and water	6,642,351	5,679,365
Total Consumer Deposits	6,642,351	5,679,365
5 PROVISIONS		
Performance bonus	-	-
Total Provisions	-	-
The movement in current provisions are reconciled as follows:		
Balance at beginning of year	-	-
Transfer from non-current	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Balance at end of year	-	-

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
6 CREDITORS		
Trade creditors	23,055,594	22,060,594
Other creditors	3,087,030	286,457
Staff leave	3,452,805	3,119,310
Gansbaai Mayoral Fund	24,956	24,956
Spanjaardskloof	0	167,519
Payments received in advance	4,139,940	2,226,454
Suspence accounts	7,115,565	8,604,745
Control account - salaries	64,404	141,496
Control account - sundry	377,166	16,844
Control account - debtors	630,278	1,999,894
Retention money	1,559,546	852,836
Deposits - Builders	4,977,334	3,778,051
Deposits - Other	141,348	130,455
Total Creditors	48,625,966	43,409,610

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

7.1 Conditional Grants from other spheres of Government	5,971,203	4,234,418
National Government Grants	1,486,087	1,299,765
Provincial Government Grants	4,485,116	2,934,652
7.2 Other Conditional Receipts	10,259,276	9,885,603
Developers Contribution - Electricity	1,067,175	1,052,233
Developers Contribution - Water	3,427,313	3,427,313
Developers Contribution - Sewerage	1,933,007	1,933,007
Developers Contribution - Parking	1,990,629	1,993,877
Public contributions	1,841,153	1,479,173
Total Conditional Grants and Receipts	16,230,479	14,120,021

8 VAT

Vat receivable/ (payable)	41,691	-295,441
---------------------------	---------------	-----------------

Vat is payable on the receipt basis. Only once payment is received from debtors VAT is paid over to SARS.

9 PROPERTY, PLANT AND EQUIPMENT

See next spreadsheet (note 9)

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2007.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
10 INVESTMENTS		
Listed		
CRK Shares (4654 shares)	17,454	17,454
Financial Instruments		
Fixed Deposits	40,681,511	33,983,255
Total Investments	40,698,964	34,000,709
<i>Market valuation of listed investments</i>		
CRK Shares (4654 shares)	24,528	17,454
11 LONG-TERM RECEIVABLES		
Land sales	38,120	38,120
Officials: Car loans	2,976,310	3,833,458
Officials: Study loans	68,215	102,559
Officials: Bursary Fund	4,206	0
Housing selling scheme loans	5,548,849	5,876,268
Sport clubs	669,447	852,002
Sundry	2,855	5,443
	9,308,001	10,707,851
Less: Current portion transferred to current receivables	1,072,279	1,153,922
Officials: Car loans	757,276	773,926
Officials: Study loans	8,948	19,347
Housing selling scheme loans	200,266	175,806
Sport clubs	102,933	182,555
Sundry	2,855	2,288
Total	8,235,722	9,553,928
CAR LOANS		
Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010.		
HOUSING SELLING SCHEME LOANS		
Housing loans are granted to qualifying individuals in terms of the provincial administration's housing programme. These loans attract interest at 7% per annum and are repayable over 10 years. These loans will be repaid by the year 2010.		
12 INVENTORY		
Consumable stores - at cost	1,305,512	1,472,209
Total Inventory	1,305,512	1,472,209

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

		2005	2004
		R	R
13 CONSUMER DEBTORS			
	Gross	Provision for	Net
	Balances	Bad Debts	Balance
As at 30 June 2005			
Service debtors	37,752,433	19,025,186	18,727,247
Rates	6,566,159	3,308,989	3,257,170
Trading Services (Electricity & Water)	21,635,508	10,903,127	10,732,381
Economic Services (Sewerage & Refuse)	9,550,766	4,813,070	4,737,696
Housing Rentals	792,263	399,258	393,005
Housing Loan instalments	684,667	345,035	339,632
Total	39,229,362	19,769,478	19,459,884
As at 30 June 2004			
Total	47,964,508	29,512,504	18,452,004
		2005	2004
		R	R
Rates: Ageing			
Current (0 - 30 days)		(2,511,375)	-
31 - 60 Days		4,318,519	-
61 - 90 Days		645,861	-
91 - 120 Days		370,857	-
+ 120 Days		3,742,296	-
Total		6,566,159	-
Trading Services (Electricity and Water): Ageing			
Current (0 - 30 days)		(61,830)	-
31 - 60 Days		8,861,010	-
61 - 90 Days		1,717,892	-
91 - 120 Days		895,007	-
+ 120 Days		10,223,429	-
Total		21,635,508	-
Economic Services (Sewerage and Refuse): Ageing			
Current (0 - 30 days)		(2,474,467)	-
31 - 60 Days		2,870,216	-
61 - 90 Days		743,410	-
91 - 120 Days		351,693	-
+ 120 Days		8,059,914	-
Total		9,550,766	-
Housing rentals: Ageing			
Current (0 - 30 days)		(1,052)	-
31 - 60 Days		107,661	-
61 - 90 Days		37,637	-
91 - 120 Days		42,471	-
+ 120 Days		605,546	-
Total		792,263	-
Housing loan instalmenst: Ageing			
Current (0 - 30 days)		4,674	-
31 - 60 Days		72,538	-
61 - 90 Days		44,851	-
91 - 120 Days		23,849	-
+ 120 Days		538,754	-
Total		684,667	-

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
Summary of Debtors by Customer Classification		
	Consumers	Industrial/ Commercial
	R	R
30 June 2005		National and Provincial Gov R
Current (0 - 30 days)	(4,956,836)	(14,380)
31 - 60 Days	15,876,580	245,533
61 - 90 Days	3,096,629	42,982
91 - 120 Days	1,618,699	20,954
+ 120 Days	21,731,526	303,474
Sub-total	<u>37,366,598</u>	<u>598,563</u>
Less: Provision for bad debts	-	-
Total debtors by customer classification	<u><u>37,366,598</u></u>	<u><u>598,563</u></u>
		<u><u>1,264,201</u></u>
30 June 2004		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	-	-
Sub-total	<u>-</u>	<u>-</u>
Less: Provision for bad debts	-	-
Total debtors by customer classification	<u><u>-</u></u>	<u><u>-</u></u>

The previous year comparative figures cannot be provided due to the year end reports which can only be generated at year end. A report has still to be developed for the provision of bad debts per customer classification

	2005	2004
	R	R
14 OTHER DEBTORS		
Payments made in advance	3,192,368	2,751,598
Control accounts - salaries	52,772	1,919
Control accounts - sundry	110,220	87,759
Control accounts - debtors	1,601,726	1,782,734
Subsidy claims	2,135,517	388,000
Insurance claims	36,213	159,586
Deposits	47,322	85,082
Total Other Debtors	<u><u>7,176,139</u></u>	<u><u>5,256,678</u></u>
15 CALL INVESTMENT DEPOSITS		
Other Deposits	<u><u>88,745,556</u></u>	<u><u>63,378,355</u></u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
16 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
ABSA - Account Number 322 000 0035 (Hermanus - Primary Bank Account)		
Cash book balance at beginning of year	2,363,594	4,319,652
Cash book balance at end of year	<u>(2,881,693)</u>	<u>2,363,594</u>
Bank statement balance at beginning of year	6,491,939	16,020,236
Bank statement balance at end of year	<u>4,280,080</u>	<u>6,491,939</u>
ABSA - Account Number 322 017 0240 (Gansbaai)		
Cash book balance at beginning of year	695,589	428,844
Cash book balance at end of year	<u>581,908</u>	<u>695,589</u>
Bank statement balance at beginning of year	575,163	323,242
Bank statement balance at end of year	<u>684,981</u>	<u>575,163</u>
ABSA - Account Number 405 835 6861 (Hangklip-Kleinmond)		
Cash book balance at beginning of year	614,685	644,899
Cash book balance at end of year	<u>284,943</u>	<u>614,685</u>
Bank statement balance at beginning of year	796,766	3,892,140
Bank statement balance at end of year	<u>570,740</u>	<u>796,766</u>
ABSA - Account Number 405 589 9787 (Onrus Caravan Park)		
Cash book balance at beginning of year	3,087	270,168
Cash book balance at end of year	<u>6,510</u>	<u>3,087</u>
Bank statement balance at beginning of year	1,740	269,928
Bank statement balance at end of year	<u>1,112</u>	<u>1,740</u>
ABSA - Account Number 405 642 0921 (Traffic Department)		
Cash book balance at beginning of year	174,822	2,402,921
Cash book balance at end of year	<u>214,431</u>	<u>174,822</u>
Bank statement balance at beginning of year	132,743	2,330,372
Bank statement balance at end of year	<u>214,431</u>	<u>132,743</u>
FNB - Account Number 524 700 3065 (Stanford)		
Cash book balance at beginning of year	2,798	124,474
Cash book balance at end of year	<u>0</u>	<u>2,798</u>
Bank statement balance at beginning of year	2,798	75,144
Bank statement balance at end of year	<u>0</u>	<u>2,798</u>
Cash on hand in cash floats:	8,820	8,520
Total Bank and Cash	<u>(1,785,081)</u>	<u>3,863,095</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
17 PROPERTY RATES		
Actual		
Residential	51,566,389	-
Commercial	5,289,503	-
Agricultural	2,067,048	-
	<u>58,922,939</u>	<u>49,449,896</u>
Less: Exempted properties	<u>2,432,523</u>	<u>3,847,918</u>
Total Assessment Rates	<u>56,490,416</u>	<u>45,601,978</u>
Valuations	July 2004	July 2003
	R000's	R000's
Residential	9,042,394	-
Commercial	927,538	-
Agricultural	362,466	-
Exempted properties	<u>277,853</u>	<u>-</u>
Total Property Valuations	<u>10,610,251</u>	<u>9,134,879</u>

Valuations on land and buildings are undertaken every four years. The last valuation came into effect on 1 July 2002. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of 0,5781 c/R (2003/2004: 0,5329 c/R) is applied to property valuations to determine assessment rates. Rebates ranging between 20% & 40% are applied to pensioners. Rates are levied on an annual basis and can be paid in installments or annually. The final date of payment for annual rates was 30 September 2005. Interest at prime plus 1% is levied on outstanding rates.

18 SERVICE CHARGES

Sale of electricity	64,992,171	57,841,137
Sale of water	32,015,828	31,728,690
Refuse removal	20,620,456	11,101,545
Sewerage and sanitation charges	<u>21,022,062</u>	<u>25,676,640</u>
Total Service Charges	<u>138,650,517</u>	<u>126,348,012</u>

19 GOVERNMENT GRANTS AND SUBSIDIES

National FMG Grant	19.1A	1,313,678	298,990
Provincial Equitable share	19.2A	4,537,300	3,294,420
Provincial health subsidies	19.2B	1,292,099	1,006,500
Provincial Proclaimed roads maintenance	19.2C	579,530	865,060
Provincial Cleansing Campaign	19.2E	15,707	87,705
Provincial Cleanest Town 2005	19.2F	34,404	83,568
Provincial Informal Settlement Re-Location	19.2G	2,500	0
Provincial Hemel en Aarde Struktuurplan	19.2H	14,549	0
Provincial Public Transport	19.2I	274,566	165,908
Provincial Water/sewerage masterplan	19.2K	172,140	0
Provincial Water Plan & Inv	19.2L	50,333	0
Provincial WEKCO	19.2M	108,251	42,249
Provincial ECO Development Strategy	19.2N	30,000	0
Provincial Squatter Assistance	19.2O	5,000	0
Provincial Capacity Building (PRKBF)	19.2P	100,000	0
Provincial PFF2004/031 Water Analysis	19.2Q	50,000	0
Provincial Social Housing GB 350 Houses	19.2S	12,788,270	0
Provincial Other - Operational		0	768,286
Provincial Other - Capital		0	6,166,646

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

		2005	2004
		R	R
Provincial Government - Capital Projects		3,255,204	57,748
Provincial B Bos Water	19.2J	124,820	57,748
Provincial Water Services (MIG)	19.2T	1,062,999	0
Provincial Water BBOS (MIG)	19.2U	498,000	0
Provincial MIG funds 2005/06	19.2V	385,620	0
Provincial Kwasa-Kwasa RD & SW	19.2W	980,000	0
Provincial Multipurpose Centre	19.2X	6,153	0
Provincial Public Transport	19.2V	197,612	0
Total Government Grant and Subsidies		24,623,530	12,837,080

19.1A Conditional Grants: National - FMG Grant

Balance unspent at beginning of year	1,299,765	98,755
Current year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	-1,313,678	-298,990
Conditions still to be met - transferred to liabilities (see note 7)	1,486,087	1,299,765

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The MFMA Grant also pays for the cost of the Financial Management Internship Programme (eg salary costs of the Financial Management Interns).

19.2A Conditional Grants: Provincial - Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 253 (2004: R86), which is funded from this grant.

19.2B Conditional Grants: Provincial - Health Subsidies

Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote	1,292,099	1,006,500
Conditions met - transferred to revenue	-1,292,099	-1,006,500
Conditions still to be met - transferred to liabilities (see note 7)	0	0

The Municipality renders health services on behalf of the Provincial Government and was partially refunded for this activity (from 1 st April 2005 it has been 100% refunded. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy.

19.2C Conditional Grants: Provincial - Main Road Subsidy

Balance unspent at beginning of year	0	0
Current year receipts - included in roads maintenance vote	579,530	865,060
Conditions met - transferred to revenue	-579,530	-865,060
Conditions still to be met - transferred to liabilities (see note 7)	0	0

19.2D Conditional Grants: Provincial - Water Conservation Trust Fund

Balance unspent at beginning of year	421,039	421,039
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 7)	421,039	421,039

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
19.2E Conditional Grants: Provincial - Cleansing Campaign		
Balance unspent at beginning of year	15,707	28,412
Current year receipts	0	75,000
Conditions met - transferred to revenue	-15,707	-87,705
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>15,707</u>
19.2F Conditional Grants: Provincial - Cleanest Town 2004		
Balance unspent at beginning of year	18,697	2,265
Current year receipts	15,707	100,000
Conditions met - transferred to revenue	-34,404	-83,568
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>18,697</u>
19.2G Conditional Grants: Provincial - Informal Settlement Re-Location		
Balance unspent at beginning of year	510,087	421,962
Current year receipts	0	88,125
Conditions met - transferred to revenue	-2,500	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>507,587</u>	<u>510,087</u>
19.2H Conditional Grants: Provincial - Hemel en Aarde Structure Plan		
Balance unspent at beginning of year	129,112	9,100
Current year receipts	0	120,012
Conditions met - transferred to revenue	-14,549	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>114,563</u>	<u>129,112</u>
19.2I Conditional Grants: Provincial - Public Transport		
Balance unspent at beginning of year	274,566	5,474
Current year receipts	0	435,000
Conditions met - transferred to revenue	-274,566	-165,908
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>274,566</u>
19.2J Conditional Grants: Provincial - B Bos Water		
Balance unspent at beginning of year	124,820	1,205
Current year receipts	0	181,363
Conditions met - transferred to revenue	-124,820	-57,748
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>124,820</u>
19.2K Conditional Grants: Provincial - Water/sewerage masterplan		
Balance unspent at beginning of year	172,140	1,140
Current year receipts	0	171,000
Conditions met - transferred to revenue	-172,140	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>172,140</u>
19.2L Conditional Grants: Provincial - Water Plan & Inv		
Balance unspent at beginning of year	50,333	333
Current year receipts	0	50,000
Conditions met - transferred to revenue	-50,333	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>50,333</u>
19.2M Conditional Grants: Provincial - WEKCO		
Balance unspent at beginning of year	33,251	501
Current year receipts	75,000	75,000
Conditions met - transferred to revenue	-108,251	-42,249
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>33,252</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
19.2N Conditional Grants: Provincial - ECO Development Strategy		
Balance unspent at beginning of year	0	0
Current year receipts	30,000	0
Conditions met - transferred to revenue	-30,000	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2O Conditional Grants: Provincial - Squatter Assistance		
Balance unspent at beginning of year	0	0
Current year receipts	5,000	0
Conditions met - transferred to revenue	-5,000	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2P Conditional Grants: Provincial - Capacity Building (PRKBF)		
Balance unspent at beginning of year	0	0
Current year receipts	100,000	0
Conditions met - transferred to revenue	-100,000	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2Q Conditional Grants: Provincial - PFF2004/031 Water Analysis		
Balance unspent at beginning of year	0	0
Current year receipts	50,000	0
Conditions met - transferred to revenue	-50,000	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2R Conditional Grants: Provincial - ST Water Resources		
Balance unspent at beginning of year	0	0
Current year receipts	50,000	0
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>50,000</u>	<u>0</u>
19.2S Conditional Grants: Provincial - Social Housing GB 350 Houses		
Balance unspent at beginning of year	0	0
Current year receipts	12,788,270	0
Conditions met - transferred to revenue	-12,788,270	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2T Conditional Grants: Provincial - Water Services (MIG)		
Balance unspent at beginning of year	400,000	0
Current year receipts	662,999	400,000
Conditions met - transferred to revenue	-1,062,999	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>400,000</u>
19.2U Conditional Grants: Provincial - DWARF Water Supply Baardsk/Bos		
Balance unspent at beginning of year	0	0
Current year receipts	498,000	0
Conditions met - transferred to revenue	-498,000	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2V Conditional Grants: Provincial - MIG FUNDS 2005/06 Allocation		
Balance unspent at beginning of year	0	0
Current year receipts	638,800	0
Conditions met - transferred to revenue	-385,620	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>253,180</u>	<u>0</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
19.2W Conditional Grants: Other - Kwasa Kwasa RD & SW (1101)		
Balance unspent at beginning of year	0	0
Current year receipts	980,000	0
Conditions met - transferred to revenue	-980,000	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2X Conditional Grants: Provincial - Multipurpose Centre (CAP)		
Balance unspent at beginning of year	0	0
Current year receipts	2,360,000	0
Conditions met - transferred to revenue	-6,153	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>2,353,847</u>	<u>0</u>
19.2Y Conditional Grants: Provincial - Public Transport Facility		
Balance unspent at beginning of year	0	0
Current year receipts	197,612	0
Conditions met - transferred to revenue	-197,612	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
19.2Z Conditional Receipts: Other - Schulphoek Resort		
Balance unspent at beginning of year	784,899	784,899
Current year receipts	0	0
Conditions met - transferred to revenue	0	0
Conditions still to be met - transferred to liabilities (see note 7)	<u>784,899</u>	<u>784,899</u>

19.3 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (2004), government grant funding is expected to increase over the two years 2005/06 and 2006/07.

20 OTHER INCOME

Sale of housing	0	0
Other income	6,841,566	4,899,282
Total Other Income	<u>6,841,566</u>	<u>4,899,282</u>

21 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	47,048,646	39,941,475
Employee related costs - Contributions for UIF, pensions and medical aids	11,229,680	10,094,040
Travel, motor car, accommodation, subsistence and other allowances	4,585,810	3,552,875
Housing benefits and allowances	890,595	666,744
Overtime payments	6,769,818	4,238,853
Performance bonus	3,505,565	3,088,934
Long-service awards	0	0
Less: Employee costs unauthorized to Property, Plant and Equipment	0	0
Less: Employee costs included in other expenses	0	0
Total Employee Related Costs	<u>74,030,113</u>	<u>61,582,921</u>

There were no advances to employees. Loans to employees are set out in note 13.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
Remuneration of the Municipal Manager		
Annual Remuneration	440,302	306,190
Performance Bonus	54,000	48,744
Car Allowance	110,573	102,561
Computer Allowance	12,359	11,464
Office Allowance	15,449	14,330
Company Contributions to UIF, Medical and Pension Funds	135,452	114,722
Total	<u>768,136</u>	<u>598,011</u>
Remuneration of the Director: Financial Services		
Annual Remuneration	366,690	255,000
Performance Bonus	36,670	25,500
Car Allowance	130,692	98,019
Housing Subsidy	6,450	5,454
Computer Allowance	2,588	1,600
Company Contributions to UIF, Medical and Pension Funds	95,669	65,386
Total	<u>638,760</u>	<u>450,959</u>
Remuneration of the Director: Corporate Services		
Annual Remuneration	316,708	293,656
Performance Bonus	58,398	56,998
Car Allowance	115,222	115,222
Housing Subsidy	5,658	7,263
Computer Allowance	2,575	2,387
Company Contributions to UIF, Medical and Pension Funds	81,879	76,271
Total	<u>580,440</u>	<u>551,797</u>
Remuneration of the Director: Public Services		
Annual Remuneration	316,708	293,656
Performance Bonus	30,736	56,998
Car Allowance	115,222	115,222
Computer Allowance	2,575	2,388
Company Contributions to UIF, Medical and Pension Funds	84,536	78,264
Total	<u>549,777</u>	<u>546,528</u>

22 REMUNERATION OF COUNCILLORS

Executive Mayor	271,885	240,207
Deputy Executive Mayor	218,162	200,190
Speaker	220,946	202,986
Mayoral Committee Members	420,376	385,962
Councillors	760,088	687,379
Medical aid contributions	33,725	83,571
Pension contributions	189,100	164,877
Total Councillors' Remuneration	<u>2,114,282</u>	<u>1,965,172</u>

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Councillors may utilize official Council transportation when engaged in official duties.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
23 INTEREST PAID		
Long-term liabilities	6,738,942	7,987,837
Bank overdrafts	0	0
Total Interest on External Borrowings	<u>6,738,942</u>	<u>7,987,837</u>

24 BULK PURCHASES		
Electricity	33,392,170	29,775,722
Water	0	0
Total Bulk Purchases	<u>33,392,170</u>	<u>29,775,722</u>

25 GRANTS AND SUBSIDIES PAID		
Grant to Tourism Associations	869,269	502,584
Grant to Youth Projects	81,390	0
Grant iro Rates Rebates	2,432,523	3,847,918
Low Income Subsidy	3,882,724	3,797,198
Aids Projects	23,204	0
Gender	14,471	0
Marketing	10,000	0
Disaster Relief	20,678	0
Total Grants and Subsidies	<u>7,334,259</u>	<u>8,147,700</u>

26 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:-

26.1 Statutory Funds

Balance previously reported:-

CCDLF	102,696,942
Housing Development Fund	9,536,137
Dog Tax Fund	105,264
Parking Areas Development Fund	1,993,877
Total	<u>114,332,220</u>

Implementation of GAMAP

Transferred to the Capital Replacement Reserve	6,058,061
Transferred to the Capitalisation Reserve	96,638,881
Remain as Housing Development Fund	9,536,137
Transferred to the Developers Contribution - Parking (Conditional Receipts)	1,993,877
Transferred to Accumulated Surplus/(Deficit)(see 26.10 below)	
Dog Tax Fund	105,264
Total	<u>114,332,220</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
26.2 Loans Redeemed and Other Capital Receipts		
Balance previously reported:-		<u>152,782,879</u>
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit) (see 26.10 below)		<u>152,782,879</u>
26.3 Reserves		
Balance previously reported:-		
Tariff Stabilisation Fund - Cleansing		2,256,144
General Valuation		641,575
Contribution to bulk - Sewerage		1,933,007
Staff Leave Gratuity		3,119,310
Capital Funds - Electricity		1,052,233
Capital Funds - Water		3,427,313
Library		111,398
Repairs to Lakeview		88,382
Insurance		14,820
Personnel Provident		259,548
Recreational Facilities Development Fund		81,053
Training Fund		202,481
ABSA Rent Reserve		<u>25,650,160</u>
Total		<u>38,837,424</u>
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit) (see 26.10 below)		3,640,581
Tariff Stabilisation Fund - Cleansing		2,256,144
General Valuation		641,575
Library		111,398
Repairs to Lakeview		88,382
Personnel Provident		259,548
Recreational Facilities Development Fund		81,053
Training Fund		<u>202,481</u>
Transfer to Creditors		3,119,310
Transfer to Developers Contribution - Electricity (Conditional Grant)		1,052,233
Transfer to Developers Contribution - Water (Conditional Grant)		3,427,313
Transfer to Developers Contribution - Sewerage (Conditional Grant)		1,933,007
Transfer to Self-Insurance Reserve		14,820
Transfer to Non-current provisions		<u>25,650,160</u>
Total		<u>38,837,424</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
26.4 Trust Funds		
Balance previously reported:-		
Lagoon Development - Kleinrivier		74,009
Lagoon Development - Fisherhaven		5,739
Schulphoek Resort		784,899
Hoy Graves		10,687
Fernkloof Fund		8,144
Zwelihle Training Facilities		164,040
Zwelihle Library Trust		42,442
Onrus Lagoon Trust		833,940
Vermont Dune Stabilize		209,385
Legacy - Mcivor		11,421
IGA Donations		184,385
Water Conservation Trust Fund		421,039
Social Relief - Fishing Quota		85,957
ABET Training		34,690
Transitional Grant		589,152
Performance Management System		106,537
Cleansing Campaign		15,707
Cleanest Town		18,697
Direct IDP - 585		8,232
Development of Tourism		27,559
Health Care Centre - KM		33,294
Klipgat Trust		8,553
Gansbay Mayoral Fund		24,956
Sport Grounds		13,791
Informal Settlement Re-location		510,088
Eskom Grant - Zwelihle electr		110,813
Mun Fin & Budget		1,299,765
Hemel en Aarde Structure Plan		129,112
Public Transport KM 275000		274,566
Water Services Project (MIG)		400,000
B Bos Water		124,820
Spanjaardskloof		167,519
Water / Sewerage Master Plan		172,140
Water: Plan & Inv		50,333
Wekco		33,251
Total		6,989,662
Implementation of GAMAP		
Transferred to Conditional Grants - National		1,299,765
Mun Fin & Budget		1,299,765
Transferred to Conditional Grants - Provincial		2,934,652
Water Conservation Trust Fund		421,039
Cleansing Campaign		15,707
Cleanest Town		18,697
Informal Settlement Re-location		510,088
Hemel en Aarde Structure Plan		129,112
Public Transport KM 275000		274,566
Water Services Project (MIG)		400,000
B Bos Water		124,820
Water / Sewerage Master Plan		172,140
Water: Plan & Inv		50,333
Schulphoek Resort		784,899
Wekco		33,251
Transferred to Conditional Grants - Other		110,813
Eskom Grant - Zwelihle electr		110,813

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
Transferred to Conditional Receipts - Other		1,368,360
Lagoon Development - Kleinrivier		74,009
Lagoon Development - Fisherhaven		5,739
Hoy Graves		10,687
Fernkloof Fund		8,144
Zwelihle Training Facilities		164,040
Zwelihle Library Trust		42,442
Onrus Lagoon Trust		833,940
Vermont Dune Stabilize		209,385
Legacy - Mcivor		11,421
Klipgat Trust		8,553
Transferred to Accumulated Surplus/(Deficit) (see 26.10 below)		1,083,597
IGA Donations		184,385
Social Relief - Fishing Quota		85,957
ABET Training		34,690
Transitional Grant		589,152
Performance Management System		106,537
Direct IDP - 585		8,232
Development of Tourism		27,559
Health Care Centre - KM		33,294
Sport Grounds		13,791
Transfer to Creditors		192,475
Gansbay Mayoral Fund		24,956
Spanjaardkloof		167,519
Total		6,989,662
26.5 Provisions		
Balance previously reported		657,000
Implementation of GAMAP		
Transferred to Accumulated Surplus/(Deficit)(see 26.10 below)		657,000
26.6 Inventory		
Balance previously reported		1,472,209
Implementation of GAMAP		1,472,209
26.7 Non-current provisions		
Balance previously reported		-
Implementation of GAMAP		
Transferred from ABSA Rent Reserve		25,650,160
Transferred from Accumulated Surplus/(Deficit) (see 26.10 below)		11,150,000
Rehabilitation of tip sites		2,500,000
Clearing out of alien vegetation		1,000,000
Cleaning up of illegal dumping		3,750,000
Post retirement benefits		3,900,000
Total		36,800,160

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
<i>26.8 Property, plant and equipment</i>		
Balance previously reported		<u>309,773,028</u>
Implementation of GAMAP		
Infrastructure previously not recorded credited to Accumulated Surplus/(Deficit)(see 26.10 below)		-
Total		<u>309,773,028</u>
<i>26.9 Accumulated Depreciation</i>		
Balance previously reported		<u>-</u>
Implementation of GAMAP		
Backlog depreciation: Infrastructure		49,924,496
Backlog depreciation: Community		4,322,134
Backlog depreciation: Other		19,674,596
Total (debited to Accumulated Surplus/(Deficit)(see 26.10 below)		<u>73,921,226</u>
<i>26.10 Accumulated Surplus/(Deficit)</i>		
Balance previously reported		26,880,844
Plus/(Minus): Implementation of GAMAP		
Non-current provisions previously not included (see 26.5 above)		(11,150,000)
Transferred from statutory funds (see 26.1 above)		105,264
Transferred from Reserves (see 26.3 above)		3,640,581
Transferred from Trusts (see 26.4 above)		1,083,597
Transferred from Provisions (see 26.5 above)		657,000
Transferred from Loans Redeemed and Other Capital Receipts (see 26.2 above)		152,782,879
Backlog depreciation (see 26.9 above)		(73,921,226)
Transferred to the Capitalisation Reserve		(22,671,412)
Establish Governments Grant Reserve		(25,971,118)
Establish Public Contributions Reserve		(46,861)
Total		<u>51,389,548</u>
<i>26.11 Surplus/(Deficit) for the year</i>		
Surplus/(Deficit) for 2003/04 previously reported		12,694,276
Plus/(Minus): Implementation of GAMAP		
Non GAMAP-compliant income		
50% profit from CCDFL		(7,746,780)
Add income now to be included under GAMAP		
Interest earned on external investments		10,903,929
Dividends received		1,372
Interest earned on external debtors		260,491
Capex and opex grants shown elsewhere		8,536,159
Public contributions		8,700,509
Deduct non GAMAP-compliant expenditure		
Interest on internal loans		20,110,100
Loan redemption costs		15,192,998
Capital development fund		3,092,450
Leave gratuity fund		1,398,105
Library reserve fund		16,000
Renewals & repairs fund		550,250
Vehicle renewal fund		1,143,400
Disaster fund		100,000
Valuation reserve fund		200,000
Add expenditure now to be included under GAMAP		
Interest paid - external loans		(7,987,837)
Administration and bank charges		(905,098)
Loan raising expenses		(101,755)
Opex funded from grants & contributions not previously shown		(3,568,962)
Surplus/(Deficit) for 2003/04 restated to comply with GAMAP		<u>62,589,607</u>

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
27 CHANGE IN ACCOUNTING POLICY		
During the year ended 30 June 2005, expenses were incurred that previously were financed from funds and reserves. Due to the implementation of GAMAP, the funds however no longer exist in the current financial year. The funds were transferred to the accumulated surplus on 30 June 2004.		
The comparative amounts have not been restated. The effect of the change in accounting policy is as follows:		
Decrease in accumulated surplus	1,322,977	-
28 CORRECTION OF ERROR		
During the year ended 30 June 2005, expenses were incurred and corrections were made that related to the financial year 30 June 2004.		
The comparative amounts has not been restated:		
Details of the corrections and expenses is as follows:		
Corrections on debtors for previous years	740,095	
Corrections on creditors for previous years	318,097	
Corrections to opening balances of external loans	(294,455)	
Corrections on income of previous years	(349,793)	
Corrections on expenses of previous years	334,014	
Decrease in accumulated surplus	747,959	-
29 CASH GENERATED BY OPERATIONS		
Surplus for the year	41,707,504	-
Adjustment for:		
Correction of prior year error	(747,959)	-
Change in accounting policy	(1,322,977)	-
Depreciation	17,289,239	-
Gain on disposal of property, plant and equipment	(9,237,454)	-
Contribution to provisions - non-current	5,627,375	-
Contribution to provisions - current	-	-
Contribution to bad debt provision	(9,743,026)	-
Dividends received	(4,535)	-
Investment income	(9,708,732)	-
Interest paid	6,738,942	-
Operating surplus before working capital changes	40,598,377	-
(Increase)/Decrease in inventories	166,697	-
(Increase)/Decrease in debtors	8,735,146	-
(Increase)/Decrease in other debtors	(1,919,461)	-
Increase/(Decrease) in provisions	-	-
Increase/(Decrease) in conditional grants and receipts	2,110,459	-
Increase/(Decrease) in creditors	5,216,356	-
(Increase)/Decrease in Vat	(337,132)	-
Cash generated by operations	54,570,441	-
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	1,096,612	3,863,095
Bank overdraft	(2,881,693)	-
Total cash and cash equivalents	(1,785,081)	3,863,095

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R
31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 2)	54,012,380	60,351,267
Used to finance property, plant and equipment - at cost	53,904,647	41,853,893
Sub-total	107,734	18,497,373
Cash set aside for the repayment of long-term liabilities (see note 2)	6,545,336	5,864,417
Cash invested for repayment of long-term liabilities	6,653,069	24,361,790

External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

No unauthorised, irregular, fruitless and wasteful expenditure occurred during the year.

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

33.1 Contributions to organised local government - SALGA

Opening balance	0	0
Council subscriptions	141,874	115,014
Amount paid - current year	-141,874	-115,014
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

33.2 Audit fees

Opening balance	0	0
Current year audit fee	740,251	614,475
Amount paid - current year	-740,251	-614,475
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

33.3 VAT

VAT inputs receivables and VAT outputs receivables are included in debtors and creditors respectively. All VAT returns have been submitted by the due date throughout the year.

33.4 PAYE and UIF

Opening balance	0	0
Current year payroll deductions	7,768,055	5,914,290
Amount paid - current year	-7,768,055	-5,914,290
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

33.5 Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Council contributions	13,631,368	10,905,094
Amount paid - current year	-13,631,368	-10,905,094
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
--	-----------	-----------

33.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2005			
Councillor P J Makka	4,898	951	2,747
Total Councillor Arrear Consumer Accounts	<u>4,898</u>	<u>951</u>	<u>2,747</u>
30 June 2004			
None	-	-	-
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>-</u>	<u>-</u>

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

	Highest amount outstanding	Ageing
30 June 2005		
Councillor P J Makka	4,898	> 90 Days

	Highest amount outstanding	Ageing
30 June 2004		
None	0	> 90 Days

	2005 R	2004 R
--	-----------	-----------

34 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	0	0
<i>Infrastructure</i>	0	-
<i>Community</i>	0	-
<i>Other</i>	0	0
- Approved but not yet contracted for	46,777,000	27,488,000
<i>Infrastructure</i>	29,117,000	19,224,000
<i>Community</i>	6,264,000	4,774,000
<i>Heritage</i>	100,000	-
<i>Other</i>	11,296,000	3,490,000
Total	<u>46,777,000</u>	<u>27,488,000</u>

This expenditure will be financed from:

External Loans	17,000,000	0
Capital Replacement Reserve	21,030,000	25,070,000
Government Grants	6,673,000	8,711,000
Public Contributions	2,074,000	1,200,000
	<u>46,777,000</u>	<u>34,981,000</u>

35 RETIREMENT BENEFIT INFORMATION

All Councillors and employees belong to 3 defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed on 30 June 2004. These valuations indicate that the funds are in a sound financial position. The estimated liability of the funds is R 269,2 million which is adequately financed by assets of R 269,2 million.

An amount of R 6,4 million (2004: R 5,3 million) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

36 CONTINGENT LIABILITIES

The Municipality has no contingent liabilities as at year-end.

OVERSTRAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	R	R

37 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance:-

- Secondment of International Finance Advisor by National Treasury for two years

38 INVESTMENT PROPERTY

Cost	26,170,269	26,170,269
Total Investment Property	<u><u>26,170,269</u></u>	<u><u>26,170,269</u></u>

Revenue earned from rentals is included in the statement of financial performance.
Overstrand municipality has taken advantage of the transitional provisions in paragraphs .94 - .96 of GRAP 17

9 PROPERTY, PLANT AND EQUIPMENT

30 Junie 2005

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Dev Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2004	-	145,285,223	11,252,954	1,088,522	52,054,831	-	-	209,681,529
Cost	-	195,089,773	14,471,287	1,088,522	72,953,173	-	-	283,602,755
Correction of error	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	(49,804,550)	(3,218,334)	-	(20,898,342)	-	-	(73,921,226)
- Cost	-	(49,804,550)	(3,218,334)	-	(20,898,342)	-	-	(73,921,226)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	-	29,047,489	2,984,214	-	4,357,190	-	-	36,388,892
Capital under Construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	-	(10,953,857)	(517,451)	-	(5,817,931)	-	-	(17,289,239)
- based on cost	-	(10,953,857)	(517,451)	-	(5,817,931)	-	-	(17,289,239)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Impaired losses	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
Carrying values at 30 June 2005	-	163,378,854	13,719,717	1,088,522	50,594,089	-	-	228,781,182
Cost	-	224,137,262	17,455,501	1,088,522	77,310,363	-	-	319,991,648
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	(60,758,408)	(3,735,784)	-	(26,716,274)	-	-	(91,210,465)
- Cost	-	(60,758,408)	(3,735,784)	-	(26,716,274)	-	-	(91,210,465)
- Revaluation	-	-	-	-	-	-	-	-

APPENDIX A

OVERSTRAND MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2005

	Loan Number	Redeemable	Balance at 30/06/04 R	Received during the period R	Redeemed/ written off during period R	Balance at 2005/06/30 R	Carrying value of property, plant & equip R	Other costs in accordance with MFMA R
ANNUITY LOANS								
ABSA @ 7.18%	86/04794/06	2007	2,868,203	0	822,199	2,046,005	5,341,336.35	
ABSA @ 11.30%		2006	74,853	0	27,498	47,354	150,000.00	
ABSA @ 14.25%		2007	352,997	0	101,889	251,107	606,000.00	
ABSA @ 18.00%		2004	59,843	0	59,843	0	253,262.80	
DBSA @ 8.871%	13535/102	2020	5,025,558	0	314,097	4,711,460	5,095,922.36	
DBSA @ 9.171%	13761/101	2020	4,302,279	0	260,744	4,041,535	4,211,018.87	
DBSA @ 9.171%	13543/101	2019	4,672,291	0	568,070	4,104,221	4,140,384.87	
DBSA @ 12.00%	10450/1	2017	1,057,943	0	36,849	1,021,094	724,583.00	
DBSA @ 9.171%	13761/101	2007	144,750	0	48,250	96,500	180,280.00	
RAND MERCHANT @ 10.219%		2008	22,046,127	0	2,303,042	19,743,085	18,824,557.36	
INCA @ 12.82%		2012	18,497,373	0	1,305,657	17,191,716	17,083,982.89	
DISTRICT MUN @ 18.00%		2007	634,486	0	176,262	458,224	940,500.00	
DISTRICT MUN @ 18.00%	AR10/12/1	2006	47,507	0	16,591	30,916	66,922.67	
DISTRICT MUN @ 17.75%		2006	71,654	0	24,948	46,706	20,000.00	
DISTRICT MUN @ 18.00%	C/R	2006	140,450	0	49,048	91,401	355,300.00	
DISTRICT MUN @ 18.00%		2006	19,737	0	6,892	12,844	25,926.07	
DISTRICT MUN @ 18.00%	C/R	2005	9,061	0	9,061		10,000.00	
DISTRICT MUN @ 18.00%	92/93	2005	219,223	0	139,769	79,454	533,850.00	
DISTRICT MUN @ 18.00%		2005	63,814	0	40,686	23,129	168,350.00	
DISTRICT MUN @ 18.00%		2005	34,494	0	21,992	12501.92	37,318.65	
DISTRICT MUN @ 18.00%		2005	8,624	0	5,498	3,125	28,000.00	
Total annuity loans			60,351,267	0	6,338,886	54,012,380	58,797,496	
TOTAL EXTERNAL LOANS			60,351,267	0	6,338,886	54,012,380	58,797,496	

APPENDIX B										
OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2005										
	Cost				Accumulated Depreciation				Carrying Value R	Budget Additions 2005 R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R		
Infrastructure										
Access control	258,965	385,995	0	644,959	37,453	50,484	0	87,938	557,022	415,000
Car parks	1,490,790	103,457	0	1,594,247	42,212	73,741	0	115,953	1,478,294	300,000
Fencing	859,770	695,160	0	1,554,930	350,964	286,590	0	637,554	917,377	610,000
Footways	854,773	845,264	0	1,700,037	37,157	42,739	0	79,895	1,620,142	846,000
Kerbing	226,910	58,216	0	285,126	11,554	11,345	0	22,899	262,227	50,000
Load Control Equipment	0	7,024,658	0	7,024,658	0	0	0	0	7,024,658	7,169,800
Mains electrical	4,280,029	0	0	4,280,029	1,414,653	214,001	0	1,628,655	2,651,375	0
Mains water	723,486	2,496,529	0	3,220,016	106,753	36,174	0	142,927	3,077,089	2,642,200
Meters electrical	600,010	0	0	600,010	264,845	30,001	0	294,845	305,165	0
Meters water	180,000	39,215	0	219,215	62,667	12,000	0	74,667	144,548	40,000
Motorways	935,194	861,652	0	1,796,845	77,563	64,401	0	141,964	1,654,881	862,000
Outfall sewers	529,801	14,096	0	543,897	238,411	26,490	0	264,901	278,997	25,000
Paving	0	450,000	0	450,000	0	0	0	0	450,000	450,000
Purification works	7,427,383	1,057,022	0	8,484,405	1,373,056	371,369	0	1,744,425	6,739,980	1,000,000
Rights - water	2,360,000	0	0	2,360,000	236,000	118,000	0	354,000	2,006,000	0
Other roads	21,130,396	4,508,967	0	25,639,363	6,933,565	2,020,748	0	8,954,313	16,685,050	4,526,000
Security system	216,294	75,905	0	292,199	74,418	43,259	0	117,677	174,522	75,000
Road Signage	0	64,145	0	64,145	0	0	0	0	64,145	70,000
Sewers	50,424,205	0	0	50,424,205	16,903,397	2,521,210	0	19,424,608	30,999,598	0
Speed Control	293,329	0	0	293,329	85,632	29,333	0	114,965	178,365	0
Sewerage pumps	969,849	0	0	969,849	88,189	62,643	0	150,832	819,017	0
Street lighting	1,580,433	545,538	0	2,125,970	241,657	63,449	0	305,106	1,820,865	536,000
Supply/reticulation Electricity	30,823,022	4,652,844	0	35,475,866	7,218,115	1,541,151	0	8,759,266	26,716,600	4,428,000
Supply/reticulation Water	29,032,232	687,229	0	29,719,461	5,242,046	1,453,171	0	6,695,217	23,024,244	715,000
Stormwater drains	9,235,564	1,858,995	0	11,094,559	1,755,817	461,778	0	2,217,595	8,876,964	1,785,000
Reservoirs & tanks	23,788,249	2,622,603	0	26,410,851	6,559,090	1,189,412	0	7,748,503	18,662,349	2,590,000
Transformer kiosks	6,785,243	0	0	6,785,243	424,184	226,175	0	650,359	6,134,885	0
Traffic lights	83,844	0	0	83,844	25,153	4,192	0	29,345	54,499	0
	195,089,773	29,047,489	0	224,137,262	49,804,550	10,953,857	0	60,758,408	163,378,854	29,135,000
Community Assets										
Beach development	391,410	4,530	0	395,940	8,333	13,047	0	21,380	374,560	0
Care centres	158,915	9,697	0	168,612	17,062	5,297	0	22,359	146,253	10,000
Cemeteries	406,622	0	0	406,622	44,606	13,554	0	58,160	348,461	0
Community centres	1,025,241	1,922,282	0	2,947,522	137,277	34,175	0	171,452	2,776,071	1,790,000

APPENDIX B										Budget Additions 2005 R
OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2005										
	Cost				Accumulated Depreciation				Carrying Value R	
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R		
Fire stations	101,112	101,226	0	202,338	1,776	3,370	0	5,147	197,191	100,000
Floodlighting	124,604	0	0	124,604	1,150	6,230	0	7,380	117,223	0
Golf courses	402,194	0	0	402,194	281,536	20,110	0	301,646	100,549	0
Clinics/hospitals	1,295,310	0	0	1,295,310	378,593	43,177	0	421,770	873,540	0
Jukskei pitches	6,949	0	0	6,949	4,864	347	0	5,212	1,737	0
Libraries	3,558,516	72,153	0	3,630,670	75,972	118,617	0	194,589	3,436,081	75,000
Outdoor sports	726,397	344,953	0	1,071,350	432,197	36,320	0	468,517	602,833	355,000
Parks	169,455	99,733	0	269,188	7,245	6,313	0	13,559	255,629	100,000
Public conveniences	1,883,659	237,285	0	2,120,944	408,989	63,554	0	472,542	1,648,402	240,000
Recreation centres	3,530,449	192,355	0	3,722,804	1,187,816	124,472	0	1,312,288	2,410,516	190,000
Stadiums	239,330	0	0	239,330	60,643	7,978	0	68,620	170,709	0
Swimming pools	226,924	0	0	226,924	13,333	9,680	0	23,013	203,911	0
Tennis courts	224,200	0	0	224,200	156,940	11,210	0	168,150	56,050	0
	14,471,287	2,984,214	0	17,455,501	3,218,334	517,451	0	3,735,784	13,719,717	2,860,000
Heritage Assets										
Heritage buildings	1,088,522	0	0	1,088,522	0	0	0	0	1,088,522	0
	1,088,522	0	0	1,088,522	0	0	0	0	1,088,522	0
Leased Assets										
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Other Assets										
Air conditioner	59,185	122,409	0	181,594	35,511	11,837	0	47,348	134,246	125,000
Caravan Parks	4,704,770	0	0	4,704,770	2,095,577	156,826	0	2,252,403	2,452,367	0
Computer hardware	2,249,982	291,350	0	2,541,332	966,317	449,996	0	1,416,313	1,125,019	302,000
Compacting Stations	7,228,785	0	0	7,228,785	624,694	240,959	0	865,653	6,363,131	0
Computer software	707,195	257,122	0	964,317	144,984	141,439	0	286,423	677,895	300,000
Fire Equipment	0	75,865	0	75,865	0	0	0	0	75,865	80,000
General plant	2,291,117	199,868	0	2,490,985	870,507	458,223	0	1,328,730	1,162,255	210,000
Hostels - workers	138,811	0	0	138,811	87,914	4,627	0	92,541	46,270	0
Household refuse	93,055	0	0	93,055	19,122	18,611	0	37,733	55,322	0
Houses - municipal	696,308	0	0	696,308	322,951	23,210	0	346,161	350,147	0
Housing schemes	16,658,193	0	0	16,658,193	8,418,310	555,273	0	8,973,583	7,684,609	0
Irrigation systems	69,837	0	0	69,837	8,663	4,324	0	12,987	56,850	0

APPENDIX B										
OVERSTRAND MUNICIPALITY: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2005										
	Cost				Accumulated Depreciation				Carrying Value R	Budget Additions 2005 R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R		
Land	0	0	0	0	0	0	0	0	0	0
Miscellaneous furniture	906,704	71,355	0	978,059	101,010	170,620	0	271,630	706,430	76,000
Office building	18,217,407	560,117	0	18,777,524	1,932,509	608,184	0	2,540,693	16,236,830	595,000
Office machines	270,570	66,200	0	336,770	38,785	56,477	0	95,262	241,507	66,000
Other Land	157,500	0	0	157,500	38,833	5,250	0	44,083	113,417	0
Radio equipment	591,626	225,965	0	817,590	155,271	118,325	0	273,597	543,994	225,000
Telecommunication	64,164	0	0	64,164	38,498	12,833	0	51,331	12,833	0
Tip sites	913,395	439,290	0	1,352,684	98,436	30,446	0	128,882	1,223,802	450,000
Training Facilities	0	25,000	0	25,000	0	0	0	0	25,000	25,000
Transport Facilities	162,752	347,508	0	510,260	31,930	7,077	0	39,007	471,253	345,000
Vehicles	1,107,448	170,703	0	1,278,151	372,971	221,490	0	594,460	683,691	170,703
Vehicles: Fire Engines	704,573	0	0	704,573	325,946	44,117	0	370,063	334,511	0
Vehicles: Graders	527,065	0	0	527,065	307,850	52,706	0	360,556	166,509	0
Vehicles: Mechanical Horses	202,733	0	0	202,733	141,913	20,273	0	162,186	40,547	0
Vehicles: Trucks/bakkies	12,750,684	879,283	0	13,629,967	3,493,285	2,293,672	0	5,786,957	7,843,010	844,830
Vehicles: Tractors	850,959	0	0	850,959	156,689	90,188	0	246,877	604,082	0
Workshop/Depots	628,357	625,156	0	1,253,512	69,868	20,945	0	90,813	1,162,699	650,000
	72,953,173	4,357,190	0	77,310,363	20,898,342	5,817,931	0	26,716,274	50,594,089	4,464,533
Total	283,602,755	36,388,892	0	319,991,648	73,921,226	17,289,239	0	91,210,465	228,781,182	36,459,533

APPENDIX C
OVERSTRAND MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2005

	Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
Executive & Council	186,860	267,653	0	454,512	89,332	35,969	0	125,301	329,211
Finance & Admin	29,949,451	4,468,625	0	34,418,076	5,176,419	1,972,246	0	7,148,665	27,269,411
Planning & Development	195,498	61,050	0	256,548	86,762	82,100	0	168,862	87,686
Health	517,721	49,801	0	567,522	165,962	89,166	0	255,128	312,394
Community & Social Services	6,316,273	727,493	0	7,043,766	423,994	246,313	0	670,307	6,373,459
Housing	17,217,322	99,672	0	17,316,994	8,577,506	598,905	0	9,176,411	8,140,583
Public Safety	2,216,409	417,332	0	2,633,741	751,616	314,159	0	1,065,775	1,567,966
Sport & Recreation	12,711,984	898,669	0	13,610,652	4,805,835	715,413	0	5,521,249	8,089,404
Environmental Protection	662,017	879,283	0	1,541,300	167,008	103,409	0	270,417	1,270,883
Waste Management	84,019,867	3,519,402	0	87,539,269	22,765,572	4,851,680	0	27,617,253	59,922,017
Road Transport	25,425,550	6,740,659	0	32,166,210	7,810,279	2,665,336	0	10,475,614	21,690,595
Water	57,019,526	6,554,138	0	63,573,664	12,593,587	2,996,913	0	15,590,501	47,983,163
Electricity	47,164,278	11,705,116	0	58,869,394	10,507,353	2,617,630	0	13,124,984	45,744,410
Total	283,602,755	36,388,892	0	319,991,648	73,921,226	17,289,239	0	91,210,465	228,781,182

APPENDIX D
OVERSTRAND MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL
PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income R	2004 Actual Expenditure R	2004 Surplus/ (Deficit) R		2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R
24,022,922	-8,443,412	32,466,334	Executive & Council	13,898,751	19,629,011	-5,730,261
60,964,706	31,111,169	29,853,537	Finance & Admin	71,307,796	33,289,256	38,018,540
2,544,871	2,898,337	-353,466	Planning & Development	3,939,443	4,583,567	-644,123
1,011,930	4,400,775	-3,388,845	Health	1,270,450	3,237,662	-1,967,211
335,190	3,638,541	-3,303,350	Community & Social Services	335,319	4,305,649	-3,970,330
0	1,804,684	-1,804,684	Housing	13,169,509	15,656,963	-2,487,454
518,202	2,418,110	-1,899,907	Public Safety	331,803	3,962,141	-3,630,338
3,023,630	8,002,711	-4,979,081	Sport & Recreation	3,830,583	8,404,050	-4,573,467
577,524	4,319,975	-3,742,452	Environmental Protection	7,811,784	13,672,213	-5,860,429
18,674,718	16,179,657	2,495,061	Solid Waste Management	20,797,552	15,930,723	4,866,829
18,198,480	17,659,197	539,283	Waste Management	21,395,599	18,428,444	2,967,155
5,903,946	18,078,779	-12,174,832	Road Transport	8,311,862	18,066,558	-9,754,697
31,779,785	22,765,459	9,014,326	Water	34,015,624	23,605,016	10,410,608
58,145,145	50,077,442	8,067,704	Electricity	65,965,933	54,480,920	11,485,013
225,701,050	174,911,422	50,789,628	Sub-Total	266,382,007	237,252,173	29,129,834
0	-11,799,980	11,799,980	Less: Inter-departmental Charges	0	-12,577,670	12,577,670
225,701,050	163,111,442	62,589,608	Total	266,382,007	224,674,503	41,707,504

APPENDIX E(1)
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (REVENUE AND EXPENDITURE)
30 JUNE 2005

	2005 Actual R	2005 Budget R	2005 Variance R	2005 Variance %
REVENUE				
Property rates	58,922,939	53,626,410	5,296,529	8.99
Property rates - penalties imposed and collection charges	414,910	705,130	(290,220)	-69.95
Service charges	138,650,517	134,703,780	3,946,737	2.85
Rental of facilities and equipment	4,725,138	4,400,250	324,888	6.88
Interest earned - external investments	7,430,531	2,667,750	4,762,781	64.10
Interest earned - outstanding debtors	2,278,202	2,435,020	(156,818)	-6.88
Dividends received	4,535	1,400	3,135	69.13
Fines	3,219,126	2,829,190	389,936	12.11
Licences and permits	1,559,011	1,085,870	473,141	30.35
Income from agency services	7,586,606	5,685,980	1,900,626	25.05
Government grants and subsidies	24,623,530	6,769,000	17,854,530	72.51
Other income	6,841,566	2,933,790	3,907,776	57.12
Public contributions, donated and contributed property, plant and equipment	887,942	240,000	647,942	72.97
Gains on disposal of property, plant and equipment	9,237,454	-	9,237,454	0.00
Total Revenue	266,382,007	218,083,570	48,298,437	22.15
EXPENDITURE				
Employee related costs	74,030,113	76,899,125	(2,869,012)	-3.88
Remuneration of Councillors	2,114,282	2,115,000	(718)	-0.03
Bad debts	6,213,470	5,675,000	538,470	8.67
Collection costs	506,614	859,640	(353,026)	-69.68
Depreciation	17,289,239	17,289,810	(571)	0.00
Repairs and maintenance	22,098,646	23,238,870	(1,140,224)	-5.16
Interest on borrowings	6,738,942	7,717,120	(978,178)	-14.52
Bulk purchases	33,392,170	33,595,840	(203,670)	-0.61
Contracted services	4,663,118	5,312,070	(648,952)	-13.92
Grants and subsidies paid	7,334,259	10,831,000	(3,496,741)	-47.68
General expenses - other (including abnormal expenses)	50,293,651	39,422,365	10,871,286	21.62
Total Expenditure	224,674,503	222,955,840	1,718,663	0.77
NET SURPLUS/(DEFICIT) FOR THE YEAR	41,707,504	(4,872,270)	46,579,774	956.02

D EXPENDITURE) FOR THE YEAR ENDED

Explanation of Significant Variances Greater than 10% versus Budget

Implementation of improved debt collection

All interest income now has to be included in the performance statement

Amount not significant

Higher income due to installation of a new traffic camera

Increased demand for licences

Increased funding for Protea and Marines projects

Capital grant receipts now have to be included in performance statement

Income realized on several votes was higher than expected

All public contributions now have to be included in performance statement

Additional Ad-hoc contributions to capital

Special attempts to collect arrears had been done

Variance due to interest decreases during the year

Employees utilised for some services previously contracted

Less applications than anticipated during the budget process

Actual expenditure was higher than budget due to increased bulk purchases

APPENDIX E(2)
OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2005

	2004/2005 Actual R	2004/2005 Budget R	2004/2005 Variance R	2004/2005 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Infrastructure					
Access Control	385,995	415,000	(29,005)	(7)	Project continued in 2005/2006
Car Parks	103,457	300,000	(196,543)	(66)	Ad-hoc project completed less than budget amount
Fencing	695,160	610,000	85,160	14	Escalation in construction costs
Footways	845,264	846,000	(736)	(0)	
Kerbing	58,216	50,000	8,216	16	Escalation in construction costs
Load Control Equipment	7,024,658	7,169,800	(145,142)	(2)	
Mains water	2,496,529	2,642,200	(145,671)	(6)	Saving on project costs
Meters water	39,215	40,000	(785)	(2)	
Motorways	861,652	862,000	(348)	(0)	
Outfall sewers	14,096	25,000	(10,904)	(44)	Actual expenditure realized less than budgeted amount
Paving	450,000	450,000	-	-	
Purification works	1,057,022	1,000,000	57,022	6	Escalation in construction costs
Other roads	4,508,967	4,526,000	(17,033)	(0)	
Security system	75,905	75,000	905	1	
Road Signage	64,145	70,000	(5,855)	(8)	Saving used by kerbing
Street Lighting	545,538	536,000	9,538	2	
Supply/reticulation electricity	4,652,844	4,428,000	224,844	5	
Supply/reticulation water	687,229	715,000	(27,771)	(4)	
Stormwater drains	1,858,995	1,785,000	73,995	4	
Reservoirs & tanks	2,622,603	2,590,000	32,603	1	
	29,047,489	29,135,000	(87,511)	(0)	
Community Assets					
Beach development	4,530	0	4,530	100	
Care Centres	9,697	10,000	(303)	(3)	
Community Centres	1,922,282	1,790,000	132,282	7	Escalation in construction costs
Fire Stations	101,226	100,000	1,226	1	
Libraries	72,153	75,000	(2,847)	(4)	
Outdoor sports	344,953	355,000	(10,047)	(3)	
Parks	99,733	100,000	(267)	(0)	
Public conveniences	237,285	240,000	(2,715)	(1)	
Recreation centres	192,355	190,000	2,355	1	
	2,984,214	2,860,000	124,214	4	

APPENDIX E(2) OVERSTRAND MUNICIPALITY: ACTUAL VS. BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2005					
	2004/2005 Actual R	2004/2005 Budget R	2004/2005 Variance R	2004/2005 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Other Assets					
Air conditioner	122,409	125,000	(2,591)	(2)	
Computer hardware	291,350	302,000	(10,650)	(4)	
Compter software	257,122	300,000	(42,878)	(14)	Replacement of equipment as needed
Fire equipment	75,865	80,000	(4,135)	(5)	Replacement of equipment as needed
General plant	199,868	210,000	(10,132)	(5)	Replacement of equipment as needed
Miscellaneous Furniture	71,355	76,000	(4,645)	(6)	Replacement of equipment as needed
Office building	560,117	595,000	(34,883)	(6)	Project completed under budget
Office machines	66,200	66,000	200	0	
Radio Equipment	225,965	225,000	965	0	
Tip sites	439,290	450,000	(10,710)	(2)	
Training Facilities	25,000	25,000	0	0	
Transport Facilities	347,508	345,000	2,508	1	
Vehicles	170,703	170,703	0	0	
Vehicles: Trucks/Bakkies	879,283	844,830	34,453	4	
Workshop/Depots	625,156	650,000	(24,844)	(4)	
	4,357,191	4,464,533	(107,342)	(2)	
Total	36,388,894	36,459,533	(70,639)	(0)	